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**Follow-up to and implementation of the outcomes of the International Conferences on Financing for Development**

# Issues to be addressed in the thematic chapter of the 2019 and 2020 reports of the Inter-Agency Task Force on Financing for Development

## Report of the Secretary-General

*Summary*

The present report was prepared in response to General Assembly resolution 72/208, entitled "Follow-up to and implementation of the outcomes of the International Conferences on Financing for Development".

As mandated in the resolution, the Second Committee of the General Assembly and the Economic and Social Council held a joint meeting to discuss the proposed themes for the thematic chapters of the 2019 and 2020 reports of the Inter-Agency Task Force on Financing for Development. The suggested topics presented were: (a) "National financing frameworks for the Sustainable Development Goals" for the 2019 report; and (b) "Financing sustainable development in the era of the fourth industrial revolution", for the 2020 report. At the meeting, delegations broadly welcomed the proposals and shared perspectives and suggestions for advancing analysis in those areas.

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# I. Introduction

1. In paragraph 11 of its resolution 72/208, the General Assembly requested the Secretary-General to address a joint meeting of the Second Committee and the Economic and Social Council, informing them of and discussing the issues to be addressed in the thematic chapter of the 2019 and 2020 reports of the Inter-Agency Task Force, and to summarize those discussions by producing a report, within existing resources, to guide the Inter-Agency Task Force on the thematic issues to be covered in those reports.

2. The Inter-Agency Task Force on Financing for Development has included thematic chapters in its annual reports since 2017. At the 2016 Economic and Social Council forum on financing for development follow-up, Member States endorsed a proposal by the Task Force to prepare its annual reports with the following sections: a discussion of the global economic context and its implications for sustainable financing; an overview of the progress made in each of the action areas in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development; and analyses of thematic issues (E/FFDF/2016/3, para. 3). The thematic topics for the 2017 and 2018 reports were chosen by the Task Force, with informal feedback from Member States and other stakeholders. In 2017, the Task Force addressed the theme "Financing investment and social protection". In 2018, the theme was "Financing investment in selected Sustainable Development Goals: subnational finance, water and sanitation, energy and terrestrial ecosystem".

3. Pursuant to General Assembly resolution 72/208, the Economic and Social Council and the Second Committee of the General Assembly held a joint meeting on 14 September 2018 to discuss proposed themes for the 2019 and 2020 reports. The meeting was co-chaired by the Vice-President of the Economic and Social Council, Omar Hilale (Morocco) and the Vice-Chair of the Second Committee of the General Assembly at its seventy-second session, Kimberly Louis (Saint Lucia). On behalf of the Secretary-General, the Director of the Financing for Sustainable Development Office, Department of Economic and Social Affairs, introduced a note on the proposed topics for the thematic chapters of the 2019 and 2020 reports. The suggested topics were: (a) "National financing frameworks for the Sustainable Development Goals", for the 2019 report; and (b) "Financing sustainable development in the era of the fourth industrial revolution," for the 2020 report. Delegations broadly welcomed the proposals and shared perspectives and suggestions for advancing analyses in those areas.

4. The present report summarizes the Secretariat's proposal and discussions at the meeting. It is meant to serve as a guide for the Inter-Agency Task Force in preparing the 2019 and 2020 editions of its report.

# II. Suggested theme for 2019: "National financing frameworks for the Sustainable Development Goals"

5. The Addis Ababa Action Agenda, as set out in the annex to General Assembly resolution 69/313, provides a global framework for financing sustainable development. In the Addis Ababa Action Agenda, there is a call to mobilize and align all financing flows and to create national and international enabling environments for sustainable development. At its heart are two core elements: (a) national policies and actions; and (b) an enabling international environment.

6. In reporting on their national efforts to implement the 2030 Agenda for Sustainable Development, countries emphasize that mobilizing the necessary

financial resources to fund their domestic efforts is one of the greatest challenges they face. On the basis of early experience in the implementation of the Sustainable Development Goals, it is clear that a strategic and integrated approach to financing can help countries to mobilize and align financing with sustainable development more effectively.

7. Preliminary analysis, however, indicates that national sustainable development strategies often do not have a comprehensive financing component. Interest in integrated financing has grown since the adoption of the Addis Ababa Action Agenda, but translating the framework of the Addis Ababa Action Agenda into coherent national financing strategies remains a challenge for many countries.

8. The Addis Ababa Action Agenda provides guidance for formulating national financing strategies. The concept of "integrated financing frameworks that support nationally owned sustainable development strategies" is introduced in paragraph 9 therein, providing policy guidance across chapters on different sources of financing, as well as for national and international enabling environments.

9. The thematic chapter of the forthcoming 2019 *Financing for Sustainable Development Report*[1] will be aimed at helping countries navigate the complex set of policy recommendations around financing sustainable development to operationalize the Addis Ababa Action Agenda at the country level. It will serve to: (a) identify the building blocks of national financing frameworks for sustainable development, including analysis of financing flows, policies and institutions for the implementation of the Sustainable Development Goals; (b) provide proposed actions for developing and integrating those building blocks into effective financing strategies, responding to specific national priorities, needs, country circumstances and the global environment; and (c) map out available support measures from the international community and identify any gaps that may exist.

10. Existing assessments of financing strategies suggest that country circumstances differ greatly with regard to the availability of concessional financing, the ability to raise public resources domestically and the ability to attract private investment. The particular elements of a sustainable financing strategy of any one country will thus be context-specific and depend on a country's unique circumstances, such as its economic structure, integration in the global economy, exposure to external shocks and access to different sources of financing. Those factors will strongly influence financing mixes.

11. In addition, the financing landscape has become more complex for many countries, with the participation of new actors (such as non-traditional donors or development finance institutions) and the availability of a wider array of instruments (such as blended finance instruments or foreign currency bonds). At the same time, the global environment has become more challenging. A less dynamic global economy, policy uncertainty, challenges to existing multilateral arrangements and more frequent weather events and disasters impede national efforts. Both the growing complexity of the financing landscape and the challenging international environment underline the merit of a strategic and integrated approach to mobilizing financing for sustainable development.

12. The literature on financing strategies has drawn a number of lessons from country experiences to date, including the following: strategies should be nationally owned; policymakers should identify a limited number of clear priorities (rather than a wish list); elements should be sequenced; strategies should emerge from a political

[1] The Inter-Agency Task Force proposes that future editions of its annual report will be entitled *Financing for Sustainable Development Report*, with a view to having the report reach a wider audience and to better communicating the findings contained in the report to all stakeholders.

process (and thus have a political constituency, rather than be only a technical exercise); and, most importantly, in the context of the *Financing for Sustainable Development Report*, strategies should be costed and linked to budgets, incorporate the full range of investment plans and other financing policies and be aligned with the macropolicy framework.

13. The analysis in the thematic chapter of the *Financing for Sustainable Development Report* will be linked closely to the analysis of progress made in the action areas of the Addis Ababa Action Agenda. National financing strategies have to respond to the international economic context, which will be laid out in the chapter addressing the global economic context; and, in turn, the strategies should serve to inform all financing policies, which will be analysed in depth in the chapters concerning the seven action areas of the Addis Ababa Action Agenda.

14. When drafting an integrated financing strategy, different means of implementation, in particular those related to trade and technology policies, should be taken into account. The importance of an international enabling environment for those policies will be highlighted in the report.

15. In the *Financing for Sustainable Development Report*, the Task Force will draw on existing experiences and early lessons learned from implementation efforts across countries and on analytical and capacity-building work performed by members of the Inter-Agency Task Force, and will put forward a framework for bringing together these and other policies and strategies as well as include general recommendations of good practices that can guide national efforts.

16. As in previous editions of the reports of the Inter-Agency Task Force, the means of implementing the Sustainable Development Goals under in-depth review will be highlighted. The Goals to be highlighted in the 2019 version include Goal 4, on quality education; Goal 8, on decent work and economic growth; Goal 10, on reduced inequalities; Goal 13, on climate action; Goal 16, on peace, justice and strong institutions; and Goal 17, on partnerships for the Goals. These Goals are very broad in scope and do not lend themselves to be addressed in one narrative chapter. Instead, they will be highlighted throughout the chapters of the report, including, but not limited to, the thematic chapter. Findings will then be summarized in an overview box or boxes on each of the Goals at the beginning of the report. Similarly, gender equality will remain a key cross-cutting issue in the report, and gender-relevant issues will be highlighted in each of the chapters.

## Discussion and feedback

17. Representatives of the major institutional stakeholders of the financing for development process — the International Monetary Fund, the World Bank Group, the World Trade Organization, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme — expressed their support for the proposed theme and their deep commitment to contributing to the analysis. The representatives underlined the relevance of national policy frameworks and national development strategies in achieving the Goals, and noted that financing and other means of implementation, such as trade and technology, were often insufficiently developed in such strategies. The thematic chapter would help countries to strengthen financing strategies and international support for them, including through the United Nations country teams and their work on financing.

18. Delegations also welcomed the proposal and expressed their support for the Task Force. They highlighted several issues that the Task Force should consider as it developed the chapter.

19. First, delegations noted that the thematic chapter should not limit itself to the analysis of domestic financing policies and domestic resource mobilization. In response, Task Force representatives underlined that the chapter would incorporate elements of all action areas of the Addis Ababa Action Agenda, linking to more in-depth analysis in those chapters. For example, the thematic chapter would address issues related to international development cooperation and the international enabling environment as they affect national financing frameworks and strategies. This would include the alignment of development cooperation with national priorities and the use of country systems in its disbursements, or the impact of the global economic context, such as exchange rate volatility, rising interest rates or growing obstacles to trade, on national financing strategies. Taking this country perspective would thus lead to clear policy recommendations, not only for countries implementing financing strategies but also for the international community and its contributions to creating enabling environments for national efforts.

20. Second, delegations underlined that national financing frameworks needed to be based on national priorities and needs, and that analyses should take the development status of countries into account. Those calls are echoed in the Task Force's emphasis on context-specific strategies. Delegations also noted that the thematic chapter could help to link the implementation of the 2030 Agenda and the Addis Ababa Action Agenda at the country level, and thus strengthen momentum for their implementation.

21. Third, delegations stressed the importance of addressing the means of implementation of the Goals that are under in-depth review and of mainstreaming cross-cutting issues such as gender throughout the report.

## III. Suggested theme for 2020: "Financing sustainable development in the era of the fourth industrial revolution"

22. For the 2020 *Financing for Sustainable Development Report*, to be released five years after the adoption of the Addis Ababa Action Agenda, the Task Force proposed a thematic chapter on financing sustainable development in the era of the fourth industrial revolution. It intends for the chapter to provide a wide-angle lens assessment of how certain global megatrends have impacted the financing landscape since 2015. Prominent among them are new and emerging technologies that are having an impact on all aspects of development financing.

23. In the chapter, the Task Force will explore how new technologies, such as artificial intelligence, big data and blockchain, have affected the action areas of the Addis Ababa Action Agenda. The Task Force will assess the opportunities that the new technologies create as well as the risks they pose for households and firms and, more broadly, financial system stability.

24. The chapter will feature the broad range of the impacts of the new technologies, from the effect they have on financial inclusion, where innovative technologies have facilitated access to financial services for hundreds of millions of people, to tax cooperation, the implemeatation and financing of clean and sustainable infrastructure and industrialization, trade policies and financial regulations. Building on the wealth of ongoing work in this area, including in the context of the annual multi-stakeholder forum on science, technology and innovation for the Sustainable Development Goals, and by the newly established task force on the digital financing of the Sustainable Development Goals the Inter-Agency Task Force intends for the 2020 report to provide guidance to countries as they navigate this changing financing landscape.

25. Representatives of the major institutional stakeholders highlighted their ongoing work on new technologies and the unprecedented opportunities and risks

they had created across the action areas of the Addis Ababa Action Agenda, underlining the relevance of the chosen theme.

26. Delegations broadly supported the rationale behind the proposal, but also expressed some reservations. As indicated in the summary be' v of their key concerns, delegations:

(a) Noted that there was no agreed definition of the term "fourth industrial revolution" and sought more clarity on the concept and the scope and focus of the proposed chapter;

(b) Called upon the Task Force to provide evidence-based analysis and to be judicious in separating promising technologies and their potential to make real contributions from pseudo-science and over-hyped technologies;

(c) Called for the organization of expert meetings, work streams and discussions on key subtopics;

(d) Stressed that different United Nations forums and independent entities were addressing related matters. They underlined that the thematic chapter should build on and complement the extensive ongoing work in this area rather than duplicate it, including in the Science, Technology and Innovation Forum, the Commission on Science and Technology for Development of UNCTAD, in the World Bank and in other forums and reports.

27. Task Force representatives stressed that, by bringing together the analytical capacity of the United Nations system, they would be able to include in the report a careful assessment that would identify developments that would have a significant impact on sustainable financing. They would do so without duplicating existing work, but rather by building on and complementing existing work streams.

## IV. The way forward

28. The Task Force will post the outline of the *Financing for Sustainable Development Report* on its website in October 2018 and will hold a public briefing on the status of its work. The advanced unedited version of the report will be posted on the website at the end of February 2019, as requested by Member States.

29. In 2019, the international community will take stock of the progress in the implementation of the Addis Ababa Action Agenda at the forum on financing for development follow-up, to be held in April, and at the High-level Dialogue on Financing for Development, to be held at the level of Heads of State and Government in September. Those events will also help to inform the discussions on assessing the progress made on the means of implementing the Goals, be held in July and September at the high-level political forum on sustainable development, also at the level of Heads of State and Government.

30. The 2019 *Financing for Sustainable Development Report* will serve as a basis for deliberations at the 2019 forum on financing for development follow-up and will provide an analytical framework for the engagement of investors and countries at the Sustainable Development Goals Investment Fair. It will also provide substantive guidance to the organizations and bodies of the United Nations system as they aim to strengthen support for countries in implementing sustainable financing strategies, a key objective of the Secretary-General's strategy for financing the 2030 Agenda.

31. The Secretary-General will prepare an issue note for the high-level dialogue of the General Assembly in September 2019, drawing on the analytical work of the Inter-Agency Task Force, capturing the latest trends and identifying areas that require high-level political commitment for accelerated action.